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STATE OF MAINE

ONE HUNDRED AND TWENTY-THIRD LEGISLATURE

COMMITTEE ON BUSINESS, RESEARCH AND ECONOMIC DEVELOPMENT

## MEMORANDUM

TO: Senator Margaret Rotundo, Senate Chair  
Representative Jeremy R. Fischer, House Chair  
Members, Joint Standing Committee on Appropriations and Financial Affairs

FROM: Senator Lynn Bromley, Senate Chair *LB*  
Representative Nancy Smith, House Chair *NS*  
Joint Standing Committee on Business, Research & Economic Development

DATE: March 12, 2008

SUBJ: Recommendations on the Governor's Change Package to the Supplemental Budget Bill for the 2008-2009 Biennium (LD No. 2173)

As requested, the Joint Standing Committee on Business, Research & Economic Development has reviewed the Governor's Change Package to the Supplemental Budget Bill for the 2008-2009 Biennium. The committee voted (7-1) to support its original recommendations as described in its February 14, 2008 letter to the Joint Standing Committee on Appropriations and Financial Affairs (see attached), with the following changes:

- The committee does not support a reduction of \$15, 423 in the Shelter Operating Subsidy in the Maine State Housing Authority, as was stated in the February 14<sup>th</sup> letter.
- The committee supports the Governor's Change Package proposals in Part MM (deletion of Part MM on page 233 of the Supplemental Budget), Part WW and Part HHH.

Thank you for the opportunity to provide our comments on the Governor's Change Package to the Supplemental Budget Bill for the 2008-2009 Biennium. If you have any questions in connection with these recommendations, please contact us.

cc: Members, Joint Standing Committee on Business, Research & Economic Development

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## MEMORANDUM

TO: Senator Margaret Rotundo, Senate Chair  
 Representative Jeremy R. Fischer, House Chair  
 Members, Joint Standing Committee on Appropriations and Financial Affairs

FROM: Senator Lynn Bromley, Senate Chair  
 Representative Nancy Smith, House Chair  
 Joint Standing Committee on Business, Research & Economic Development

DATE: February 14, 2008

SUBJ: Recommendations on the Governor's Supplemental Budget Bill for the 2008-2009 Biennium (LD No. 2173) and Additional Target Cuts

As requested, the Joint Standing Committee on Business, Research & Economic Development has worked diligently to review not only the funding reduction levels in the Governor's proposed supplemental budget for the 2008-2009 biennium (LD No. 2173), but also the additional cuts above the proposed reductions in LD 2173. The committee believes Maine must provide a long-term, strategic commitment to Maine's economic development in order to move Maine's economy forward and allow us to compete in this globally-competitive economy. However, in the spirit of working together to find solutions for Maine's extraordinary fiscal challenges, the committee has worked together in a bipartisan manner to provide the Appropriations and Financial Affairs Committee with the target cuts that were requested; it is the committee's hope that when the State recovers from this fiscal crisis, the economic development cuts, particularly in position count, will be restored by Executive Order where appropriate.

1. **Recommendations Regarding the Supplemental Budget:**

The committee voted unanimously (12-0) to support the recommendations in the **Governor's Supplemental Budget Bill** for the 2008-2009 Biennium (LD No. 2173), with the following changes:

- o In the Supplemental Budget Packet, **Page BRED-9:** the committee supports the Department of Economic and Community Development's (DECD) proposed alternative to the general fund **\$50,000** reduction in FY08-09 to the Small

Business Commission with instead a one-time \$50,000 reduction in general funds from Maine Manufacturing Extension Partnership (MEP). The Department has discovered that the Office of Community Development has federal funds available for administration of a one-time workforce training program for FY 08 and that MEP is an acceptable partner for these funds; MEP has agreed that this will not sacrifice their overall delivery of services. Therefore, the committee supports the Department's proposal to offer a reduction of \$50,000 in General Funds for MEP in FY 08 in lieu of the cut to the Small Business and Entrepreneurship Commission in FY '09.

- In the Supplemental Budget Packet, **Page BRED-11**: The Committee supports the proposed changes from the Maine State Housing Authority (MSHA) as follows: **Strike Part MM** in the Supplemental Budget and instead allow the provision in **LD 2154** to pass to address this conflict (a conflict was created by **Public Law 2007, c. 240, section H-1** and **Public Law 2007, c. 427, section 1, see attached – c. 240 transferred \$5 million from the Home Fund to the General Fund; c. 427 prohibited the transfer of any revenues payable to the Home Fund by the Governor or the Legislature to any other fund; it also requires any proposal to transfer such revenue to be submitted to the Legislative Council or committee of jurisdiction for a public hearing on the proposal). To address this conflict, both **Part MM** in the supplemental budget and **LD 2154 (A/A Concerning Technical Changes to the Tax Laws)** attempt to correct this conflict. (see attached)**

- ☒ Accordingly, the Committee supports **removing Part MM in the budget bill** (which would allow a diversion of the funds through FY '09), while **supporting the passage of Section 83 in LD 2154**, which allows the \$5 million to be transferred in FY 08-09, and also prohibits further diversion of the funds without the proposal being first submitted to the Legislative Council or committee of jurisdiction for a public hearing.

- In the Supplemental Budget Packet, **Page BRED-12**: the committee supports replacing **Part WW** with the MSHA's **proposed amendment** as attached.

## 2. Additional Target Cuts

The committee carefully considered DECD's proposal for how to reach the new additional target cuts and weighed the impact of the additional cuts that were required and supports the following proposed recommendations for \$542, 288 in additional target cuts for BEC. The Committee also would like to note the impact of these cuts in total represent a 5% reduction in workforce for DECD:

- ☒ **Initiative 1- Maine Technology Institute Cluster Enhancement Fund**: Reduce general fund allocation in FY 09 to the Cluster Enhancement Fund by **\$220,000**. The Department and MTI feel that this reduction is the best method of achieving the savings target set forth by the budget office without sacrificing the core program and mission of the Maine Technology Institute. Funding would remain in the Cluster Enhancement Fund to allow awards to be made in FY 09, this reduction would reduce the overall amount of awards available for the program.

- ☑ **Initiative 2- Loring Development Authority:**  
\$75,000 reduction in general fund allocation in FY 09 to the Loring Development Authority. The reduction to the annual allocation will reduce total funding from \$282,890 to \$207,890 in FY 09. This will impact maintenance activities at the Loring facility.
- ☑ **Initiative 3- Procurement Technical Assistance Center**  
Reduce general fund allocation in FY 09 to the Procurement Technical Assistance Center by **\$25,000**. Currently PTAC is granted \$139,650 annually in state funds, this proposal would reduce that grant to \$114,650. DECD is working with PTAC and the state Economic Development Districts to develop a cooperative solution to the funding reduction and leveraging existing resources to offset the changes and create long-term stability and efficiency.
- ☑ **Initiative 4- DECD Office of Administration**  
**\$58,478**. Eliminate one receptionist position saving \$58,778 salary and benefits in FY 09. This would eliminate one FTE receptionist position and redistribute most duties amongst existing staff. DAFS has offered a sharing arrangement of the third-floor receptionist to handle incoming phone calls to the Department. Related FY 08 one time savings **\$34,262**.
- ☑ **Initiative 5- \$80,000 cut to the Office of Business Development (Personal Services Coordinator I or II).** The Committee strongly recommends that this elimination in headcount **not** include **any** **contracted** positions.
- ☑ **Initiative 6- \$25,000 cut to Maine Manufacturing Extension Partnership.**
- ☑ **Initiative 7- \$15, 423 reduction to the Shelter Operating Subsidy in the MSHA.**
- ☑ **Initiative 8- \$9,125 cut to the Small Business Development Centers.**

Thank you for the opportunity to comment on the Governor's Budget Bill for the 2008-2009 Biennium. If you have any questions in connection with these recommendations, please contact us.

cc: Members, Joint Standing Committee on Business, Research & Economic Development